

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
THE HELP II PROGRAM
EXECUTIVE SUMMARY**

Applicant:	Women's Recovery Association of San Mateo County, Inc. (WRA) 1450 Chapin Avenue Burlingame, CA 94010	Amount Requested:	\$684,000
		Requested Loan Term:	15 years
		Date Requested:	March 27, 2008
		Resolution Number:	HII-218
Project Site:	27-29 North Humboldt Street, San Mateo, CA 94401, San Mateo		
Facility Type:	Chemical Dependency Facility		
Prior HELP II Borrower:	No.		
Background: Established in 1970, WRA is a licensed nonprofit chemical dependency treatment rehabilitation organization. The mission of WRA is to assist women, adolescent girls and their families in recovering from substance abuse and its secondary effects.			
Uses of Loan Proceeds: The proceeds will be used to refinance a 7.75% adjustable interest rate loan with Union Bank of California (UBC). In addition, loan proceeds will be used for major upgrades to WRA's newest residential treatment facility. WRA intends to repair the structural foundation, replace the roof, install a new drainage system, and purchase new equipment.			
Financing Structure			
<ul style="list-style-type: none"> • 15-year fixed rate loan. • 180 equal monthly payments of approximately \$4,724 (yearly payments of about \$56,688). • Lien on gross revenues. • First lien position on property located at 27-29 North Humboldt Street, San Mateo, CA, 94401. • Loan to value ratio not to exceed 95% (estimated loan to value ratio of 54%). 			
Financial Overview: WRA appears to exhibit continuing positive net income during the review period. WRA's balance sheet appears to show improvement in recent years with higher liquidity and increasing unrestricted net assets, with over \$1 million in FY 2007. Debt to unrestricted net assets is significantly leveraged at 2.48x; however, proforma debt service coverage ratio for the proposed HELP II loan is a satisfactory 1.50x.			
Sources of Funds		Uses of Funds	
HELP II	\$684,000	Refinance existing bank loan	\$605,470
Grant*	50,000	Renovations	146,430
Borrower	<u>38,600</u>	Financing Costs	10,550
Total Sources	<u>\$772,600</u>	Purchase Equipment	<u>10,150</u>
		Total Uses	<u>\$772,600</u>
* County of San Mateo grant has been awarded, but not received.			
Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.			
Staff Recommendation: Staff recommends approval of a HELP II loan for Women's Recovery Association of San Mateo County, Inc. in an amount not to exceed \$684,000 for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority.			

**STAFF SUMMARY AND RECOMMENDATION
THE HELP II PROGRAM**

I. PURPOSE OF FINANCING

***Refinance existing bank loan* \$ 605,470**

WRA intends to pay off a UBC loan, which was used to purchase the facility located at 27-29 North Humboldt Street, San Mateo, CA. The original loan was financed in October 2001 for \$660,000 with a 30-year term. CHFFA will be in the first lien position once the UBC loan is paid in full. The current interest rate on this loan is 7.75% (adjustable rate) with an outstanding balance of approximately \$605,000. This refinancing will provide WRA an excellent opportunity to lock in a lower interest rate and stabilize their future debt payments. The proposed loan will result in total interest savings of approximately \$295,000 for the remaining life of the HELP II loan.

***Renovations* 146,430**

WRA intends to improve the structure of their residential treatment center located at 27-29 North Humboldt Street, San Mateo, CA. The renovations will consist of major repairs to the structural foundation including: (1) seismic retrofitting; (2) roof replacement; (3) installation of gutters and downspouts; and (4) installation of a drainage system around the foundation.

***Equipment* 10,150**

WRA intends to purchase a new furnace and a heating system.

The proposed HELP II loan will be secured by a first lien position on real property located at 27-29 North Humboldt Street, San Mateo, CA. This property is currently secured by a \$234,000 loan, which will be subordinated into the second lien position, behind the proposed HELP II loan. WRA estimates the current market value of the property to be approximately \$1.25 million, leading to a loan to value ratio of 54%. CHFFA will require a full appraisal of the property prior to closing.

***Financing Costs* 10,550**

Authority Fees.....8,550
Title/Escrow.....2,000

***Total Uses of Funds* \$ 772,600**

II. FINANCIAL STATEMENTS AND ANALYSIS

Women's Recovery Association of San Mateo County, Inc.
Statement of Activities
(Unrestricted)

	For the Year Ended June 30		
	2007	2006	2005
Support & Revenue			
Program revenue	2,535,264	2,103,227	1,875,058
Contributions from organizations	94,571	113,053	50,989
Contributions from individuals	83,788	61,837	83,355
Special events revenue	17,330	11,350	39,775
Investment income	1,663	1,155	561
Miscellaneous	-	3,588	5,732
Net assets released from restriction	197,329	314,142	254,045
Total support & revenue	2,929,945	2,608,352	2,309,515
Expenses:			
Salaries & benefits	1,924,397	1,748,597	1,825,318
Client related expenses	201,635	180,729	176,213
Contract services	156,590	176,683	98,979
Interest payments	136,896	131,215	108,253
Depreciation	81,219	79,232	89,897
Equipment & maintenance	77,656	99,544	32,155
Utilities	73,444	66,861	66,851
Supplies, printing & postage	36,860	29,286	28,906
Insurance	26,252	23,699	28,101
Bad debts	16,873	13,377	19,006
Training & education	7,130	10,201	90
Other operating expenses	51,386	40,348	82,577
Total expenses	2,790,338	2,599,772	2,556,346
Change in unrestricted net assets	139,607	8,580	(246,831)
Unrestricted net assets, beginning of the period	911,421	902,841	1,149,672
Unrestricted net assets, end of period	<u>\$ 1,051,028</u>	<u>\$ 911,421</u>	<u>\$ 902,841</u>

**Women's Recovery Association of San Mateo County, Inc.
Statement of Financial Position**

	As of June 30		
	2007	2006	2005
Assets:			
Current assets:			
Cash and cash equivalents	\$ 185,687	\$ 109,783	\$ 66,424
Account receivables, net	182,020	238,776	130,963
Prepaid Expenses & deposits	23,247	28,153	20,909
Total current assets	<u>390,954</u>	<u>376,712</u>	<u>218,296</u>
Cash Restrcticed for long-term purposes	20,000	20,000	20,000
Property and equipment, net	3,558,594	3,553,315	3,605,502
Total Assets	<u>\$ 3,969,548</u>	<u>\$ 3,950,027</u>	<u>\$ 3,843,798</u>
Liabilities and Net Assets:			
Current liabilities:			
Accounts payable	\$ 200,727	\$ 157,759	\$ 136,839
Line of credit	-	99,556	99,556
Deferred revenue	68,410	59,904	64,869
Current portion of notes payable	104,163	100,365	82,865
Total current liabilities	<u>373,300</u>	<u>417,584</u>	<u>384,129</u>
Notes payable, net of current portion	2,500,220	2,601,022	2,536,828
Total liabilities	<u>2,873,520</u>	<u>3,018,606</u>	<u>2,920,957</u>
Net assets:			
Unrestricted	1,051,028	911,421	902,841
Temporally Restricted	25,000	-	-
Permanently restricted	20,000	20,000	20,000
Total net assets	<u>1,096,028</u>	<u>931,421</u>	<u>922,841</u>
Total liabilities and net assets	<u>\$ 3,969,548</u>	<u>\$ 3,950,027</u>	<u>\$ 3,843,798</u>

Financial Ratios:

	Proforma (a)			
	FYE June, 2007			
Debt service coverage (x)	1.50	1.51	-0.17	1.09
Debt/Unrestricted Net Assets (x)	3.13	2.48	2.96	2.90
Current Ratio (x)		1.05	0.90	0.57
Margin (%)		4.76%	-10.69%	0.28%

(a) Recalculates 2007 audited results to include the impact of this proposed financing.

Financial Discussion – Statement of Activities (Income Statement)

WRA appears to have improved its financial operations during our review period.

WRA has been providing substance abuse and mental health treatment for women and adolescent girls throughout San Mateo County and its surrounding areas since 1970. WRA reports that its revenue stream is primarily derived from program revenue (86%). WRA's income statement appears to show tremendous increases in annual revenue for FY 2007 and FY 2006. These improvements resulted from changes in management (a new executive director and finance director) who successfully negotiated an increase in government contracts.

Particular Facts to Note:

- In FY 2007, WRA had their most successful year during the review period, with an increase in unrestricted net assets of \$140,000. WRA also received a boost in revenues subsequent to the close of the FY, with an increase of \$200,000 from the County of San Mateo contract that became effective January 1, 2008. WRA expects to continue this positive trend in the future by increasing revenue and keeping operational expenses to a minimum.
- In FY 2006, WRA increased nearly all sources of revenue as a result of the new executive director and finance director. The increase in government contracts and increase in contributions from organizations helped WRA achieve a small increase in unrestricted net assets of \$8,000. WRA also maintained a tight rein on expenses.
- In FY 2005, WRA operated with a loss due to several unforeseen setbacks. First, a multi-year grant program and a Schwab grant program ended. Second, due to an accounting error, WRA paid approximately \$117,000 in overtime to non-exempt staff.

Financial Discussion – Statement of Financial Position (Balance Sheet)

WRA's balance sheet is improving and appears solid with over \$1 million in total unrestricted net assets.

In 2007, WRA reported total unrestricted net assets of approximately \$1 million, an 18% increase from FY 2006. WRA appears to exhibit adequate and improving liquidity with a 1.05x current ratio. The existing debt service coverage also appears solid at 1.51x. The proforma debt service coverage ratio remains solid at 1.50x, indicating that WRA should be able to make loan repayments for the proposed HELP II loan.

Particular Facts to Note Continued:

- Cash and cash equivalents have increased from \$66,000 in FY 2005 to \$185,000 in FY 2007.
- Although WRA is highly leveraged with a proforma debt to unrestricted net assets of 3.13x, its proforma debt service coverage is a solid 1.50x. WRA also reported a decline in total liabilities of 5% in FY 2007. The increase in accounts payable in FY 2007 was primarily payroll-related. As staff retention improved, paid time-off and vacations accruals increased by almost \$40,000.

III. UTILIZATION STATISTICS

**Clients Served/ (Patient Visits)
Fiscal Year Ended January 31**

	2006	2007	2008
Totals	42 / (3,118)	41 / (3,618)	43 / (3,473)

IV. ORGANIZATION

Background and Licensing

Incorporated in 1970, the Women’s Recovery Association of San Mateo County, Inc. (WRA) is a nonprofit organization dedicated to restoring the lives of women. The mission of WRA is to assist women, adolescent girls and their families in recovering from substance abuse and its secondary effects on work, family and friends. WRA is licensed by the State Department of Alcohol and Drug Programs and operates four residential homes throughout San Mateo County.

WRA provides both residential and outpatient programs and serves primarily low-income patients at no cost or on a sliding scale. WRA operates two facilities for youth, aimed at drug and alcohol prevention, a facility for women with children or expectant mothers, two adult residential facilities and a transitional home for women in recovery.

V. OUTSTANDING DEBT

Date Issued	Original Amount	Amount Outstanding* As of June 30, 2007	Estimated Amount Outstanding after Proposed Financing
Existing Long-Term Debt:			
David & Lucile Packard Foundation	\$1,125,000	\$821,442	\$821,442
Union Bank of California	660,000	614,703	0
Union Bank of California	503,641	466,519	466,519
County of San Mateo	375,000	317,500	317,500
County of San Mateo	275,000	236,580	236,580
Union Bank of California	100,000	96,651	96,651
Nonprofit Finance Fund	75,000	50,988	50,988
Proposed			
CHFFA HELP II, 2008		N/A	684,000
TOTAL DEBT		\$2,604,383	\$2,673,680

***Includes current portion of long-term debt.**

VI. DUE DILIGENCE:

Due diligence has been completed with regard to the following items:

- Savings Pass Through: WRA has provided a description of its savings pass through in **Exhibit A.**
- Community Service Requirement: WRA has certified that the services of the Facility will be made available to all persons residing or employed in the area served in **Exhibit B.**
- Religious Due Diligence
- Legal Review

VII. STAFF RECOMMENDATION:

Staff recommends approval of a HELP II loan for Women's Recovery Association of San Mateo County, Inc. in an amount not to exceed \$684,000 for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority.